

# **Exhibit 3**

## **Part 4 of 9**



**NOTE (5) CASH AND PRECIOUS METALS IN HAND:**

	1988 Saudi Riyals (in thousands)
Cash in Saudi Riyals	140,809
Cash in Foreign Currencies	177,795
Precious metals	70,147
	<u>388,751</u>

**NOTE (6) DEPOSITS WITH SAUDI ARABIAN MONETARY AGENCY :**

In accordance with the instructions of the Saudi Arabian Monetary Agency, the corporation maintains a statutory deposit at stipulated percentages of its customers' credit current and other accounts calculated at the end of each month.

The corporation has current accounts with SAMA from which transfers are made to adjust the statutory deposit to the required balance at the end of each month.

**NOTE (7) INVESTMENTS IN MURABAHA :**

These represent investments in Murabaha with corporations and international financial institutions abroad, companies and individuals in the Kingdom.

**NOTE (8) FIXED ASSETS :**

	Saudi Riyals (In thousands)				
	Freehold land	Leasehold land	Buildings	Equipment and Furniture	Total
Cost at 31 December 1988	60,733	2,328	87,903	44,709	195,673
Depreciation charge for the period	—	48	3,448	7,599	11,095
Net book value	60,733	2,280	84,455	37,110	184,578

The lands and buildings registered in the names of Al Rajhi Company for Currency Exchange and Commerce, its partners or third parties have not yet been transferred to the name of Al Rajhi Banking and Investment Corporation. The corporation is in the process of completing the procedures of the transfer with the concerned authorities.

**NOTE (9) PRE-OPERATING EXPENSES AND DEFERRED EXPENSES :**

	Saudi Riyals (In thousands)			
	Corporation's Pre-operating expenses*	Branches Pre-operating expenses	Other deferred expenses	Total
Cost at 31-12-1988	3,045	2,281	9,655	14,981
Amortization for the period	358	907	4,289	5,554
Net book value	2,687	1,374	5,366	9,427

\* The constituent general meeting has approved pre-operating expenses amounting to SR 3,450,000. The pre-operating expenses actually incurred amounted to SR 3,045,000.



**NOTE (10) SHARE CAPITAL :**

a. The share capital consists of 7,500,000 shares of SR100 each. The founders have subscribed for 4,275,000 shares which have been fully paid up. The remaining shares have been issued to the public for subscription.

b. 150,000 shares of SR 100 each totalling SR 15,000,000 have been temporarily allocated to Sheikh Sulaiman bin Abdul Aziz Al Rajhi. The value of these shares has been paid from the corporation's funds and will be reallocated after completion of the allocation procedures. Dividends on these shares will be retained by the corporation.

**NOTE (11) FOUNDERS' SUBSCRIPTION FUNDS' INVESTMENT INCOME :**

The founders' subscription funds amounting to SR 427,000,000 had been deposited with a bank. The bank agreed to open a debit account for Al Rajhi Company for Currency Exchange and Commerce in the amount of SR 401,000,000 with no service charges. The account was guaranteed by the company. This amount was invested by Al Rajhi Company for Currency Exchange and Commerce and the investment income amounting to SR 204,072,524 has been distributed to the founders due to the prolonged incorporation period as the founders' funds were deposited on 3 February 1984 and the shares were placed for subscription on 22 May 1988.

A letter dated 15 Shawal 1409H was sent to His Excellency the Minister of Commerce requesting approval of the action taken by Al Rajhi Company for Currency Exchange and Commerce. The company received a letter No. 261/M dated 8/11/1409H corresponding to 11 June 1989 from His Excellency the Minister of Commerce stating "... the agreement of this loan (the debit account) and the effects therefrom shall be treated on the same basis as all other transactions performed by Al Rajhi Company for Currency Exchange and Commerce.

**NOTE (12) RESERVES :****a. Statutory Reserve :**

The banking control law requires transfer, to a non-distributable statutory reserve, of a minimum of 25% of net income for the year. The corporation may resolve to discontinue such transfers when the reserve equals the paid-up capital. The reserve amounted to SR 147,065,000 as at 31 December 1988.

**b. General Reserve :**

The board of directors has decided to transfer a sum of SR 250,000,000 from retained earnings to the general reserve. This reserve is available for distribution.

**NOTE (13) PROPOSED DIVIDENDS :**

The board of directors proposes a distribution of dividends amounting to SR 112,500,000, giving a dividend per share of SR 15.

**NOTE (14) ZAKAT :**

No provision has been made for Zakat because the period for which the financial statements have been prepared is less than one year (from 19 March 1988 to 31 December 1988).